

Message Text

CONFIDENTIAL

PAGE 01 CARACA 08002 192133Z

66

ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-03 COME-00 DODE-00 FPC-01 H-03 INR-11 INT-08

L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01 SCI-06

SP-03 SS-20 STR-08 TRSE-00 FRB-03 FEA-02 DRC-01 /150 W

----- 119509

R 192027Z AUG 74

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 5405

C O N F I D E N T I A L CARACAS 8002

E.O. 11652: GDS

TAGS: ENRG VE

SUBJECT: PETROLEUM NOTES

1. HOWE OF MOBIL TELLS ME THAT HIS NEW YORK PRINCIPALS MUST MAKE UP THEIR MINDS THIS WEEK AS TO WHAT THEY WILL DO ABOUT CONTINUING THEIR SERVICE CONTRACT OIL PRODUCTION IN THE SOUTH LAKE. THEY HAVE UNTIL SEPTEMBER 16 TO REACH A FINAL DECISION ON WHETHER OR NOT TO "COMMERCIALIZE" THEIR PRESENT WELLS, ONE OF WHICH PROMISES TO BE A GOOD ONE DESPITE THE HIGH COST AND GREAT DEPTH (18,000 FEET) AT WHICH IT OPERATES. THIS WELL BE A VERY NARROW DECISION BECAUSE UNLESS MOBIL CAN FIND ITS WAY CLEAR TO MAKING ENOUGH MONEY FROM THIS WELL, THEY WILL FIND IT UNPROFITABLE BUT WILL REMAIN IN POSITION FROM WHICH THEY CANNOT BACK OUT WITHOUT PAYING CVP A PENALTY.

2. HOWE ADDED THAT OCCIDENTAL HAD ALREADY INFORMED THE VENEZUELAN GOVERNMENT THAT IT WOULD "COMMERCIALIZE" TWO WELLS IN THE SOUTH LAKE AND WOULD CONTINUE TO PUT UP ALL THE CAPITAL NECESSARY FOR THEIR MORE THOROUGH EXPLOITATION.

3. DOLPH OF CREOLE TELLS ME HE HAS BEEN HAVING CONVERSATIONS WITH MINISTER OF MINES AND HYDROCARBONS VALENTIN HERNANDEZ, WHO TOLD HIM THAT UNDER PRESSURE FROM MINISTER OF FINANCE HURTADO
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 CARACA 08002 192133Z

THE OIL COMPANIES WOULD BE EXPECTED TO ADVANCE TAX PAYMENTS AND

IN EFFECT TO INCREASE THEM TEMPORARILY BY 5 PER CENT. AT THE PRESENT TIME CREOLE HAS BEEN PAYING ANNUAL TAXES IN SIX BI-MONTHLY INSTALLMENTS LESS A 15 PER CENT "CUSHION" WHICH IS WITHHELD BY THE COMPANY UNTIL THE YEAR'S FINAL ACCOUNTS HAVE BEEN MADE UP. NOW UNDER THE HURTADO FORMULA THE SO-CALLED "CUSHION" WILL BE REDUCED TO 10 PER CENT AND PAYMENTS WILL BE MADE ON A MONTHLY BASIS. THE OVERALL EFFECT, SAID DOLPH, WOULD BE THAT IN THE LONG RUN THE TAX WOULD REMAIN THE SAME BUT NEW MONEY WOULD HAVE TO BE FOUND TO MAKE UP THE 5 PER CENT REMOVED FROM THE FORMER 15 PER CENT "CUSHION."

4. DOLPH SHOWED ME A LETTER HE HAD JUST RECEIVED FROM THE MINISTER OF MINES AND HYDROCARBONS ANNOUNCING THAT THE FORMER HEAD OF THE CORPORACION VENEZOLANA DE GUAYANA, GENERAL RAFAEL ALFONZO RAVARD, HAD BEEN APPOINTED THE GOVERNMENT REPRESENTATIVE TO SIT IN ON ALL OF CREOLE'S MANAGEMENT DECISIONS AND OPERATIONS.

5. DOLPH SAYS THIS APPOINTMENT, ALTHOUGH PERSONALLY PLEASING TO HIM BECAUSE OF HIS RESPECT FOR GENERAL ALFONZO, POSES DIFFICULTIES. HE WOULD NOT UNDER ANY CIRCUMSTANCES WISH A HIGH VENEZUELAN OFFICIAL TO SIT IN ON CREOLE'S PRIVATE STRATEGY MEETINGS TO DECIDE WHAT STEPS THE COMPANY WILL TAKE VERSUS THE VENEZUELAN GOVERNMENT TO PROTECT ITS INTERESTS. ON THE OTHER HAND, HE AGREES WITH ME THAT IN AN ENGINEER OF SUCH HIGH INTELLECTUAL CAPACITY AND OF SUCH INTERNATIONAL OUTLOOK, HE MIGHT AS WELL TRY TO MAKE GENERAL ALFONZO AN ALLY RATHER THAN AN ENEMY. DOLPH ADDED THAT HE THINKS ALFONZO'S GREAT AMBITION IS TO BECOME THE CZAR OF THE ORINOCO TAR BELT. HE PROBABLY WILL BE THE FIRST TO REALIZE THAT OUTSIDE TECHNIQUES AND PERHAPS CAPITAL WILL BE NEEDED FOR THE EXPLOITATION FOR THIS HUGE RESERVE AND HERE THERE MAY BE A POSSIBILITY OF MUTUAL HELP BETWEEN EXXON AND THE VENEZUELAN GOVERNMENT AS REPRESENTED BY GENERAL ALFONZO RAVARD.

MCCLINTOCK

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, OIL FIELDS, REAL PROPERTY DISPOSAL
Control Number: n/a
Copy: SINGLE
Draft Date: 19 AUG 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974CARACA08002
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740228-0482
From: CARACAS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740837/aaaabfvt.tel
Line Count: 95
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 17 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17 JUL 2002 by kelleyw0>; APPROVED <03 MAR 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PETROLEUM NOTES
TAGS: ENRG, VE, MOBIL
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005